

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0441-01
Bill No.: HB 455
Subject: Social Services Department; Public Assistance
Type: Original
Date: February 18, 2013

Bill Summary: This proposal requires the Department of Social Services to seek a federal waiver to mandate the use of photo identification for continued eligibility in the food stamp program administered in this state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Greater than \$269,928)	(Greater than \$39,928)	(Greater than \$39,928)
Total Estimated Net Effect on General Revenue Fund	(Greater than \$269,928)	(Greater than \$39,928)	(Greater than \$39,928)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Federal Funds *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - Family Services Division (FSD)** provide the following information:

§208.182 - Waiver for Photo ID for Food Stamps:

This section requires the Family Support Division (FSD) to request a waiver to mandate the use of photo identification for continued eligibility in the Food Stamp program. Upon approval of the waiver, the FSD would be required to issue a photo identification card to each eligible household member age sixteen or older. The FSD assumes it is the intent of the sponsor of this bill to have the photo identification placed on the electronic benefits transfer card issued to each Food Stamp recipient household. While the photo would provide proof of identification, it does not provide proof of Food Stamp eligibility.

Subsection 1 of the proposal would require a separate Electronic Benefit Transfer (EBT) card be issued to all eligible household members age sixteen or older and/or the household's authorized representative with a photo of the individual included on the card. This would require the FSD to obtain photos for all household members age sixteen or older and all authorized representatives. The FSD estimates the cost to implement the provisions of this option to be greater than \$494,659 for the first year and greater than \$79,855 for the second and subsequent years.

First year costs:

The implementation of placing a photo on the EBT cards for Food Stamp (FS) recipients will require a change to the current EBT contract and the systems. The FSD estimates the costs for these changes would be as follows:

The FSD estimates a cost of \$0.60 per card to issue an initial EBT card with a photo to all household members age sixteen or older. As of November 2012, there are 545,459 individuals age sixteen or older receiving Food Stamp benefits in 440,484 Food Stamp households. This would result in an initial cost of \$327,275 ($\$0.60 \text{ per card} \times 545,459 \text{ cards} = \$327,275$, rounded down) to issue EBT cards with photos to all current FS recipients.

The FSD would need to mail at least one notice to each household notifying them to report to an FSD office to have a photograph taken. At a cost of \$0.38 per notice, the FSD would incur mailing costs of \$167,384 ($440,484 \text{ Food Stamp-only households} \times \$0.38 \text{ per notice} = \$167,384$, rounded up) to mail one notice to each household. This cost will increase if multiple notices are needed to ensure each household complies with the photo requirement.

HWC:LR:OD

ASSUMPTION (continued)

There would be additional costs relating to the EBT contract for storage of the photos and additional household member data. However, the FSD is unable to provide an estimate of these costs at this time. Therefore, the first year costs are estimated to be unknown, but greater than \$494,659 (\$327,275 + \$167,384).

Additional costs would be incurred for programming changes to the FSD's Family Assistance Management Information System (FAMIS) and EBT computer systems under either option. The FSD defers to OA-ITSD to determine and include these costs in their response.

Ongoing Costs:

After the initial card issuance, there would be ongoing yearly costs for card replacement of lost, stolen, or damaged EBT cards. The FSD estimates the cost per card is \$0.60. An average of 11,091 EBT cards are replaced each month. Therefore, the FSD estimates yearly costs would be \$79,855 (\$0.60 per card x 11,091 cards replaced per month x 12 months = \$79,855, rounded down).

However, since this proposal increases the number of EBT cards in circulation, including for children age 16 or older in FS households, the FSD anticipates the number of EBT cards replaced each month will increase. Therefore, the ongoing costs are estimated to be unknown, but greater than \$79,855.

Officials from the **Office of Administration (OA) - Information Technology Services Division (ITSD) - DSS** provide the following information:

§ 208.182 - Waiver for Photo ID for Food Stamps:

Passage of this proposal would require modifications to the EBT system to add Food Stamp information and photos passed to the EBT vendor.

EBT System estimates:

<u>Function</u>	<u>Work Effort (hours)</u>
Analysis/Design	75
Coding	200
Testing	200
Implementation	25
Total:	500 hours

State Staff \$63.04/hr X 500 hours = \$ 31,520

HWC:LR:OD

ASSUMPTION (continued)

FAMIS is the eligibility system for Food Stamps. FAMIS would be required to mail a one-time letter to all current Food Stamp recipients with instructions regarding the photo id EBT card.

FAMIS Assumptions:

1. Photo ID on the EBT card is not required for eligibility determination for Food Stamp benefits, per phone conversation with Program and Policy.
2. Estimates for programming to generate notices to recipients assume state staff will code the one time notice.
3. Current rate for ITSD staff averages \$63.04 per hour.

One time Letter Cost: The price per foot for simplex print is \$0.03098. So the price for this one time job will be 481,528 pages X 11 inches divided by 12 = 441,401 feet X \$0.03098 = approx. \$13,675.

Total Costs for adding Food Stamps to photo id EBT card:

EBT System costs	\$31,520
One Time Letter	<u>\$13,675</u>
Total	\$45,195

Match rates for Food Stamps is 50% General Revenue (GR) and 50% Federal

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

HWC:LR:OD

ASSUMPTION (continued)

Officials from the **Department of Mental Health (DMH)** state the proposed legislation imposes no additional duties nor threatens existing revenues for the DMH and, therefore, has no fiscal impact.

Officials from the **Department of Revenue (DOR)** state the Department of Social Services has indicated to DOR that they will not be using photos stored with DOR. Therefore, the proposal will have no fiscal impact on the DOR.

Officials from the **Department of Health and Senior Services** assume the proposal would not fiscally impact their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE FUND			
<u>Costs - DSS-FSD</u>			
Equipment and expense related to issuing EBT cards with photos	(Greater than \$163,638)	\$0	\$0
Mailing costs	(Greater than \$83,692)	\$0	\$0
Replacement cards	<u>\$0</u>	<u>(Greater than \$39,928)</u>	<u>(Greater than \$39,928)</u>
<u>Total Costs - DSS-FSD</u>	(Greater than \$247,330)	(Greater than \$39,928)	(Greater than \$39,928)
<u>Costs - OA-ITSD-DSS</u>			
EBT system computer programming and letter costs	<u>(\$22,598)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u><u>(Greater than \$269,928)</u></u>	<u><u>(Greater than \$39,928)</u></u>	<u><u>(Greater than \$39,928)</u></u>

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS			
<u>Income - DSS-FSD</u>			
Increase in program reimbursements	Greater than \$269,928	Greater than \$39,928	Greater than \$39,928
<u>Costs - DSS-FSD</u>			
Increase in program expenditures	(Greater than \$247,330)	(Greater than \$39,928)	(Greater than \$39,928)
<u>Costs - OA-ITSD-DSS</u>			
Increase in program expenditures	<u>(\$22,598)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2014 (10 Mo.)	 FY 2015	 FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal may negatively impact small business food retailers in the administrative time it takes clerks to request to the EBT card and verify the individual using the card is the person in the picture on the card.

FISCAL DESCRIPTION

This proposal requires the Department of Social Services to seek a waiver from the federal government to mandate the use of photo identification for continued eligibility in the food stamp program administered in this state. One year after approval from the federal government, the department must issue a photo identification card to each eligible household member who is 16 years old or older. Upon request, a person must present the photo identification card at issuance points, retail food stores, or meal services when exchanging benefits for eligible food. The department must establish the necessary rules and regulations to implement these provisions. The rules must ensure compliance with federal law, taking into account individuals and households with special needs as well as ensuring that all appropriate household members or authorized representatives are able to access benefits from the account as necessary.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -

Information Technology Services Division/Department of Social Services Department of
Department of Mental Health

Department of Health and Senior Services

Department of Revenue

Department of Social Services -

Family Services Division

Joint Committee on Administrative Rules

Office of Secretary of State



Ross Strobe
Acting Director
February 18, 2013